

1

Misappropriation Of Trade Secrets – Essential Factual Elements Part 1

[Name of plaintiff] claims that [he/she/it] is the owner of [insert description of alleged trade secrets].

[Name of plaintiff] claims that this information is a trade secret, and that [name of defendant] misappropriated the information by improperly [acquiring] [using] [disclosing] it.

[Name of plaintiff] also claims that [name of defendant]’s alleged misappropriation caused harm to [name of plaintiff] for which [name of defendant] should pay.

[Name of defendant] denies [insert denial of any of the above claims]. [Name of defendant] also claims [insert affirmative defenses].

DIRECTIONS FOR USE

♦ These instructions are to be used in civil actions alleging misappropriation of trade secrets under the California Uniform Trade Secrets Act, California Civil Code §§ 3426.1 *et seq.* Whether these instructions are appropriate for use in criminal actions has not been considered.

♦ California Civil Code § 3426.1(b)(1) defines “misappropriation” as improper “[a]cquisition” of a trade secret, and subsection (b)(2), as improper “[d]isclosure or use” of a trade secret. In some cases, the mere acquisition of a trade secret — as distinguished from a related disclosure or use — will not result in damages and will only be relevant to injunctive relief. In such cases, because generally the jury should only be instructed on damage claims, the only theories of misappropriation to be presented to the jury should be theories of improper “use” or “disclosure” of trade secrets, not improper “acquisition” of trade secrets.

♦ To avoid confusion, the jury should be instructed only on the particular theory of misappropriation applicable under the facts of each case. For example, the jury should not be instructed on misappropriation through “use” if the plaintiff does not assert that the defendant improperly used the trade secrets, or on a particular type of “use” if that type of “use” is not asserted and/or supported by the evidence.

SOURCES AND AUTHORITY

♦ *Cf.* CACI 300 (2006) (“Essential Factual Elements” for breach of contract claim); Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at ____.

2

Misappropriation Of Trade Secrets – Essential Factual Elements Part 2

To recover damages from *[name of defendant]* for the misappropriation of a trade secret, *[name of plaintiff]* must prove all of the following:

1. That the information qualifies for protection under the law as a trade secret;
 2. That *[name of plaintiff]* owns the alleged trade secret;
 3. That *[name of defendant]* [acquired] [used] [disclosed] the alleged trade secret in an improper way; and
 4. That *[name of plaintiff]* was harmed by that [acquisition] [use] [disclosure], or *[name of defendant]* was unjustly enriched, by that [acquisition] [use] [disclosure].
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DIRECTIONS FOR USE

♦ California Civil Code § 3426.1(b)(1) defines “misappropriation” as improper “[a]cquisition” of a trade secret, and subsection (b)(2), as improper “[d]isclosure or use” of a trade secret. In some cases, the mere acquisition of a trade secret — as distinguished from a related disclosure or use — will not result in damages and will only be relevant to injunctive relief. In such cases, because generally the jury should only be instructed on damage claims, the only theories of misappropriation to be presented to the jury should be theories of improper “use” or “disclosure” of trade secrets, not improper “acquisition” of trade secrets.

♦ To avoid confusion, the jury should be instructed only on the particular theory of misappropriation applicable under the facts of each case. For example, the jury should not be instructed on misappropriation through “use” if the plaintiff does not assert that the defendant improperly used the trade secrets, or on a particular type of “use” if that type of “use” is not asserted and/or supported by the evidence.

SOURCES AND AUTHORITY

♦ Cal. Civ. Code §§ 3426.1, 3426.3; 3 Cal. Forms of Jury Instr. § 40.90[1] (2002) (modified).

♦ 3 Cal. Forms of Jury Instr. § 40.90[1] (2002) (modified) (“To recover any damages, Plaintiff must prove . . . [t]hat Plaintiff owns a trade secret.”); *SAPC, Inc. v. Lotus Dev. Corp.* (1st Cir. 1990) 921 F.2d 360, 364-65 (“We hold that any right to enforcement of that contract, or claim for misappropriation of the trade secrets it protected, was likewise extinguished by the Agreement. SAPC sold all its rights and interest in its trade secrets and intellectual property in Section 2.1.”); *Computer Sciences Corp. v. Computer Assocs. Int’l, Inc.* (C.D. Cal. Aug. 12, 1999) 1999 WL 675446, at *6 (“In the present case, ownership of the alleged trade secrets is synonymous with

standing.”); *Voith Hydro, Inc. v. Hydro West Group, Inc.* (N.D. Cal. Mar. 26, 1997) 1997 WL 154400, at *7 (“[P]laintiff has not met the requirement that it ever owned a trade secret in the potential flow turbine and therefore has failed to establish the misappropriation of a trade secret.”) (applying Pennsylvania law); *Gabriel Int’l, Inc. v. M & D Indus. of La., Inc.* (W.D. La. 1989) 719 F. Supp. 522, 524 (“Plaintiff must be the owner of a trade secret or secrets. This is a jurisdictional limitation inherent in the statute.”); Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at ____.

3
Definition Of A Trade Secret

To prove that information is a “trade secret,” [name of plaintiff] must prove all of the following:

- 1. That the information is a formula, pattern, compilation, program, device, method, technique, process, or some other type of information.**
 - 2. That the information is secret.**
 - 3. That the information actually or potentially is valuable, giving [name of plaintiff] a substantial business advantage over [his/her/its] competitors, because it is secret.**
 - 4. That [name of plaintiff] has made reasonable efforts to keep the information secret.**
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SOURCES AND AUTHORITY

- ♦ Cal. Civ. Code § 3426.1(d); Model Jury Instructions: Business Torts Litigation § 8.03 (3d ed. 1996) (modified); 3 Cal. Forms of Jury Instr. § 40.91 (2002) (modified)
- ♦ 3 Cal. Forms of Jury Instr. § 40.92[1] (2002) (modified); Model Jury Instructions: Business Torts Litigation § 8.03[1] (3d ed. 1996) (modified); *DVD Copy Control Ass'n, Inc. v. Bunner* (2003) 31 Cal. 4th 864, 881 (“Once the data that constitute a trade secret are disclosed to others, or others are allowed to use those data, the holder of the trade secret has lost his property interest in the data.”) (quoting *Ruckelshaus v. Monsanto Co.* (1984) 467 U.S. 986, 1011); *DVD Copy Control Ass'n Inc. v. Bunner* (2004) 116 Cal. App. 4th 241, 251 (“[I]n order to qualify as a trade secret, the information ‘must be secret, and must not be of public knowledge or of a general knowledge in the trade or business.’”) (quoting *Kewanee Oil Co. v. Bicron Corp.* (1974) 416 U.S. 470, 475); *Whyte v. Schlage Lock Co.* (2002) 101 Cal. App. 4th 1443, 1455 (“[A]ny information (such as price concessions, trade discounts and rebate incentives) disclosed to Schlage customers cannot be considered trade secret or confidential”); *In re Providian Credit Card Cases*, 96 Cal. App. 4th 292, 304 (2002) (“[A] trade secret . . . has an intrinsic value which is based upon, or at least preserved by, being safeguarded from disclosure. Public disclosure, that is the absence of secrecy, is fatal to the existence of a trade secret. If an individual discloses his trade secret to others who are under no obligation to protect the confidentiality of the information, or otherwise publicly discloses the secret, his property right is extinguished.”) (internal quotation marks and citations omitted); *Uribe v. Howie* (1971) 19 Cal. App. 3d 194, 207 (“The subject matter of a trade secret must be secret.”) (internal quotation marks and citations omitted); *Self Directed Placement Corp. v. Control Data Corp.* (9th Cir. 1990) 908 F.2d 462, 465 (summarizing authorities for the propositions that: “The subject matter of a trade secret must be secret, not obvious”; “In the absence of any secret, there can be no trade secret”; “If information is commonly known to members of an industry, it is not considered a trade secret”; and “Under California law, a trade secret claim is not actionable if the allegedly misappropriated information is generally known to the public or to other persons who can obtain

economic value from its use.”); *Forcier v. Microsoft Corp.* (N.D. Cal. 2000) 123 F. Supp. 2d 520, 528 (“In light of this requirement of secrecy, it is clear that an unprotected disclosure of the holder’s secret terminates the existence of the trade secret. . . . Once the information is in the public domain and the element of secrecy is gone, the trade secret is extinguished”) (internal quotation marks and citations omitted); *Religious Tech. Ctr. v. Netcom On-Line Comm. Servs.* (N.D. Cal. 1995) 923 F. Supp. 1231, 1254 (“The unprotected disclosure of a trade secret will cause the information to forfeit its trade secret status”); *Globespan, Inc. v. O’Neill* (C.D. Cal. 2001) 151 F. Supp. 2d 1229, 1235 (“To state a claim for misappropriation of trade secrets, Plaintiff must allege: . . . the secret was disclosed to the defendant . . . under circumstances giving rise to a contractual or other legally imposed obligation on the part of the discloser not to use or disclose the secret to the detriment of the discloser.”) (quoting *Cal Francisco Inv. Corp. v. Vrionis* (1971) 14 Cal. App. 3d 318, 321-22) Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at _____.

♦ Model Jury Instructions: Business Torts Litigation § 8.03[3] (3d ed. 1996) (“[P]laintiff must show . . . that the information is sufficiently valuable so that it confers a competitive advantage on plaintiff over its business rivals.”); *Morlife, Inc. v. Perry* (1997) 56 Cal. App. 4th 1514, 1522 (“The requirement that a customer list must have economic value to qualify as a trade secret has been interpreted to mean that the secrecy of this information provides a business with a ‘substantial business advantage.’”) (citation omitted); *Ruckelshaus v. Monsanto Co.* (1984) 467 U.S. 986, 1012 (“The economic value of that property right lies in the competitive advantage over others that Monsanto enjoys by virtue of its exclusive access to the data, and disclosure or use by others of the data would destroy that competitive edge.”); *Religious Tech. Ctr. v. Wollersheim* (9th Cir. 1986) 796 F.2d 1076, 1090-91 (“In the only significant effort by any state court to construe the Uniform Act’s definitional reference to ‘independent economic value,’ the Minnesota Supreme Court stated: ‘This statutory element carries forward the common law requirement of competitive advantage. . . .’”) (citation omitted); Roger M. Milgrim, 1 *Milgrim on Trade Secrets* § 1.03, at 1-155 (2002) (“[O]nly secrets affording a demonstrable competitive advantage may be properly considered trade secrets.”) Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at _____.

4

Secrecy Requirement

To prove that information is a trade secret, [name of plaintiff] must prove that the information is secret. The secrecy need not be absolute in the sense that no one else in the world possesses the information. The information may be disclosed to employees involved in [name of plaintiff]'s use of the trade secret, or to non-employees, if the people to whom the disclosure was made are obligated to keep the information secret. A disclosure of trade secret information to a person who is not obligated to keep the information secret ends any trade secret protection for the information.

SOURCES AND AUTHORITY

♦ 3 Cal. Forms of Jury Instr. § 40.92[1] (2002) (modified); Model Jury Instructions: Business Torts Litigation § 8.03[1] (3d ed. 1996) (modified); *DVD Copy Control Ass'n, Inc. v. Bunner* (2003) 31 Cal. 4th 864, 881 (“Once the data that constitute a trade secret are disclosed to others, or others are allowed to use those data, the holder of the trade secret has lost his property interest in the data.”) (quoting *Ruckelshaus v. Monsanto Co.* (1984) 467 U.S. 986, 1011); *DVD Copy Control Ass'n Inc. v. Bunner* (2004) 116 Cal. App. 4th 241, 251 (“[I]n order to qualify as a trade secret, the information ‘must be secret, and must not be of public knowledge or of a general knowledge in the trade or business.’”) (quoting *Kewanee Oil Co. v. Bicron Corp.* (1974) 416 U.S. 470, 475); *Whyte v. Schlage Lock Co.* (2002) 101 Cal. App. 4th 1443, 1455 (“[A]ny information (such as price concessions, trade discounts and rebate incentives) disclosed to Schlage customers cannot be considered trade secret or confidential”); *In re Providian Credit Card Cases*, 96 Cal. App. 4th 292, 304 (2002) (“[A] trade secret . . . has an intrinsic value which is based upon, or at least preserved by, being safeguarded from disclosure. Public disclosure, that is the absence of secrecy, is fatal to the existence of a trade secret. If an individual discloses his trade secret to others who are under no obligation to protect the confidentiality of the information, or otherwise publicly discloses the secret, his property right is extinguished.”) (internal quotation marks and citations omitted); *Uribe v. Howie* (1971) 19 Cal. App. 3d 194, 207 (“The subject matter of a trade secret must be secret.”) (internal quotation marks and citations omitted); *Self Directed Placement Corp. v. Control Data Corp.* (9th Cir. 1990) 908 F.2d 462, 465 (summarizing authorities for the propositions that: “The subject matter of a trade secret must be secret, not obvious”; “In the absence of any secret, there can be no trade secret”; “If information is commonly known to members of an industry, it is not considered a trade secret”; and “Under California law, a trade secret claim is not actionable if the allegedly misappropriated information is generally known to the public or to other persons who can obtain economic value from its use.”); *Forcier v. Microsoft Corp.* (N.D. Cal. 2000) 123 F. Supp. 2d 520, 528 (“In light of this requirement of secrecy, it is clear that an unprotected disclosure of the holder’s secret terminates the existence of the trade secret. . . . Once the information is in the public domain and the element of secrecy is gone, the trade secret is extinguished”) (internal quotation marks and citations omitted); *Religious Tech. Ctr. v. Netcom On-Line Comm. Servs.* (N.D. Cal. 1995) 923 F. Supp. 1231, 1254 (“The unprotected disclosure of a trade secret will cause the information to forfeit its trade secret status”); *Globespan, Inc. v. O’Neill* (C.D. Cal. 2001) 151 F. Supp. 2d 1229, 1235 (“To state a claim for misappropriation of trade secrets, Plaintiff must allege: . . .

the secret was disclosed to the defendant . . . under circumstances giving rise to a contractual or other legally imposed obligation on the part of the disclose not to use or disclose the secret to the detriment of the discloser.”) (quoting *Cal Francisco Inv. Corp. v. Vrionis* (1971) 14 Cal. App. 3d 318, 321-22); Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at _____.

5

Reasonable Efforts To Protect Secrecy

To prove that information qualifies for trade secret protection, [*name of plaintiff*] is also required to prove that [he/she/it] made efforts that are reasonable under the circumstances to maintain the secrecy of the information. This requirement applies separately to each item of information claimed by [*name of plaintiff*] to be a trade secret.

What is “reasonable” depends on the circumstances surrounding the information claimed to be a trade secret. In general, reasonable efforts are the efforts that would be made by a business, in the same situation and having the same knowledge and resources as [*name of plaintiff*], exercising due care to protect important information of the same kind that would lose its value if appropriate protective steps were not taken. In determining whether or not [*name of plaintiff*] made reasonable efforts to maintain the secrecy of information it claims to be a trade secret, you should consider all of the facts and circumstances.

There is no fixed standard for determining what is “reasonable.” You may consider, among other factors:

1. Whether documents or computer files containing the information were marked with confidentiality warnings;
2. Whether [*name of plaintiff*] instructed its employees to treat the information as confidential information;
3. Whether [*name of plaintiff*] restricted access to the information to those with a “need to know”;
4. Whether [*name of plaintiff*] kept the information under lock and key;
5. Whether [*name of plaintiff*] maintained the information in a restricted or secured area;
6. Whether [*name of plaintiff*] required employees or others with access to the information to sign confidentiality or nondisclosure agreements;
7. Whether [*name of plaintiff*] took any action to protect the information specifically, or whether it relied on measures taken to protect its business information or assets generally;
8. The extent to which any general measures taken by [*name of plaintiff*], if any, would prevent the unauthorized disclosure of the information;
9. Whether there were other reasonable measures available to [*name of plaintiff*] that [*name of plaintiff*] did not take.

The presence or absence of any one or more of these factors is not necessarily determinative. You must decide in the light of all of the facts and circumstances whether the measures [*name of plaintiff*] took, if any, were reasonable.

SOURCES AND AUTHORITY

♦ Model Jury Instructions: Business Torts Litigation § 8.03[2] (3d ed. 1996) (modified);

♦ *Trade Secrets Practice in California* § 4.8, at 87-88 (2d ed. 2001); BAJI 3.11 (9th ed. 2002) (reasonable person); 3 Melvin F. Jager, *Trade Secrets Law*, App. G-55 (2001) (modified) (instruction entitled “Information Must Have Been Treated as Trade Secret before the Lawsuit Was Brought”); Cal. Civ. Code § 3426.1(d)(2), Legis. Comm. Comment (Senate), 1984 Addition (“[R]easonable efforts to maintain secrecy have been held to include advising employees of the existence of a trade secret, limiting access to a trade secret on ‘need to know basis,’ and controlling plant access. On the other hand, public disclosure of information through display, trade journal publications, advertising, or other carelessness can preclude protection.”); *DVD Copy Control Ass’n, Inc. v. Bunner* (2003) 31 Cal. 4th 864, 880 (“[T]rade secret law creates a property right ‘defined by the extent to which the owner of the secret protects his interest from disclosure to others’) (quoting *Ruckelshaus v. Monsanto Co.* (1984) 467 U.S. 986, 1002); *In re Provident Credit Card Cases*, 96 Cal. App. 4th 292, 304 (2002) (“A leading treatise has collected the cases of successful and unsuccessful claims of secrecy protection; among the factors repeatedly noted are restricting access and physical segregation of the information, confidentiality agreements with employees, and marking documents with warnings or reminders of confidentiality.”); *Buffets, Inc. v. Klinke* (9th Cir. 1996) 73 F.3d 965, 969 (“[R]easonable efforts to maintain secrecy have been held to include advising employees of the existence of a trade secret, limiting access to a trade secret on a ‘need to know basis,’ and controlling plant access. . . . [G]eneral [protective] measures may not be enough if they are not designed to protect the disclosure of information.”) (internal quotation marks and citations omitted); *Religious Tech. Ctr. v. Netcom On-Line Comm. Servs.* (N.D. Cal. 1995) 923 F. Supp. 1231, 1253-54 (“‘Reasonable efforts’ can include advising employees of the existence of a trade secret, limiting access to the information on a ‘need to know basis,’ requiring employees to sign confidentiality agreements, and keeping secret documents under lock.”) (citations omitted); Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at ____.

6

Misappropriation – Definition – Acquisition

Acquisition of a trade secret is improper if the person acquiring the trade secret knows or has reason to know that [he/she/it] is using improper means to acquire the trade secret.

[Acquisition of a trade secret is improper if the person acquiring the trade secret from another knows or has reason to know that the other used improper means to acquire the trade secret.]

DIRECTIONS FOR USE

♦ California Civil Code § 3426.1(b)(1) defines “misappropriation” as improper “[a]cquisition” of a trade secret, and subsection (b)(2), as improper “[d]isclosure or use” of a trade secret. In some cases, the mere acquisition of a trade secret — as distinguished from a related disclosure or use — will not result in damages and will only be relevant to injunctive relief. In such cases, because generally the jury should only be instructed on damage claims, the only theories of misappropriation to be presented to the jury should be theories of improper “use” or “disclosure” of trade secrets, not improper “acquisition” of trade secrets.

♦ This instruction provides two different forms of instruction on “acquisition,” one for situations in which the defendant allegedly acquired the trade secret directly, and another for situations in which the defendant allegedly acquired the trade secret from another. Only the applicable form(s) of instruction should be used.

SOURCES AND AUTHORITY

♦ Cal. Civ. Code § 3426.1(b)(1); *Ajaxo Inc. v. E*Trade Group, Inc.* (2005) 135 Cal. App. 4th 21, 67; 3 Cal. Forms of Jury Instr. § 40.98[1] (2002) (modified); Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at ____.

7

Misappropriation – Definition – Disclosure (1)

Disclosure of a trade secret is improper if the person disclosing the trade secret acquired knowledge of the trade secret by improper means.

DIRECTIONS FOR USE

- ◆ To avoid confusion, the jury should be instructed only on the particular theory of misappropriation applicable under the facts of each case. For example, the jury should not be instructed on misappropriation through “disclosure” if the plaintiff does not assert that the defendant improperly disclosed the trade secrets, or on a particular type of “disclosure” if that type of “disclosure” is not asserted and/or supported by the evidence.

SOURCES AND AUTHORITY

- ◆ Cal. Civ. Code § 3426.1(b)(2)(A); *Ajaxo Inc. v. E*Trade Group, Inc.* (2005) 135 Cal. App. 4th 21, 67; 3 Cal. Forms of Jury Instr. § 40.98[1] (2002) (modified); Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at ____.

8

Misappropriation – Definition – Disclosure (2)

Disclosure of a trade secret is improper if the person disclosing the trade secret acquired knowledge of the trade secret from another, and knows or has reason to know that the other previously acquired the trade secret by improper means.

DIRECTIONS FOR USE

♦ To avoid confusion, the jury should be instructed only on the particular theory of misappropriation applicable under the facts of each case. For example, the jury should not be instructed on misappropriation through “disclosure” if the plaintiff does not assert that the defendant improperly disclosed the trade secrets, or on a particular type of “disclosure” if that type of “disclosure” is not asserted and/or supported by the evidence.

SOURCES AND AUTHORITY

♦ Cal. Civ. Code § 3426.1(b)(2)(B)(i); *Ajaxo Inc. v. E*Trade Group, Inc.* (2005) 135 Cal. App. 4th 21, 67; 3 Cal. Forms of Jury Instr. § 40.98[1] (2002) (modified); Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at ____.

9

Misappropriation – Definition – Disclosure (3)

Disclosure of a trade secret is improper if the person disclosing the trade secret knows or has reason to know that [he/she/it] acquired knowledge of the trade secret under circumstances creating a legal obligation [to keep the information secret] [to limit its use], and discloses the trade secret in violation of that obligation.

DIRECTIONS FOR USE

♦ To avoid confusion, the jury should be instructed only on the particular theory of misappropriation applicable under the facts of each case. For example, the jury should not be instructed on misappropriation through “disclosure” if the plaintiff does not assert that the defendant improperly disclosed the trade secrets, or on a particular type of “disclosure” if that type of “disclosure” is not asserted and/or supported by the evidence.

SOURCES AND AUTHORITY

♦ Cal. Civ. Code § 3426.1(b)(2)(B)(ii); *Ajaxo Inc. v. E*Trade Group, Inc.* (2005) 135 Cal. App. 4th 21, 67; 3 Cal. Forms of Jury Instr. § 40.98[1] (2002) (modified); Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at ____.

10

Misappropriation – Definition – Disclosure (4)

Disclosure of a trade secret is improper if the person disclosing the trade secret acquired knowledge of the trade secret from another, and knows or has reason to know that the other violated a legal obligation [to keep the information secret] [to limit its use].

DIRECTIONS FOR USE

♦ To avoid confusion, the jury should be instructed only on the particular theory of misappropriation applicable under the facts of each case. For example, the jury should not be instructed on misappropriation through “disclosure” if the plaintiff does not assert that the defendant improperly disclosed the trade secrets, or on a particular type of “disclosure” if that type of “disclosure” is not asserted and/or supported by the evidence.

SOURCES AND AUTHORITY

♦ Cal. Civ. Code § 3426.1(b)(2)(B)(iii); *Ajaxo Inc. v. E*Trade Group, Inc.* (2005) 135 Cal. App. 4th 21, 67; 3 Cal. Forms of Jury Instr. § 40.98[1] (2002) (modified); Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at ____.

11

Misappropriation – Definition – Disclosure (5)

Disclosure of a trade secret is improper if the person disclosing the trade secret acquired knowledge of the trade secret by accident or mistake, and discloses the trade secret after learning that it is a trade secret but before [he/she/it] has materially changed [his/her/its] position.

DIRECTIONS FOR USE

♦ To avoid confusion, the jury should be instructed only on the particular theory of misappropriation applicable under the facts of each case. For example, the jury should not be instructed on misappropriation through “disclosure” if the plaintiff does not assert that the defendant improperly disclosed the trade secrets, or on a particular type of “disclosure” if that type of “disclosure” is not asserted and/or supported by the evidence.

SOURCES AND AUTHORITY

♦ Cal. Civ. Code § 3426.1(b)(2)(C); *Ajaxo Inc. v. E*Trade Group, Inc.* (2005) 135 Cal. App. 4th 21, 67; 3 Cal. Forms of Jury Instr. § 40.98[1] (2002) (modified); Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at ____.

12
Misappropriation – Definition – Use (1)

Use of a trade secret is improper if the person using the trade secret acquired knowledge of the trade secret by improper means.

DIRECTIONS FOR USE

♦ To avoid confusion, the jury should be instructed only on the particular theory of misappropriation applicable under the facts of each case. For example, the jury should not be instructed on misappropriation through “use” if the plaintiff does not assert that the defendant improperly used the trade secrets, or on a particular type of “use” if that type of “use” is not asserted and/or supported by the evidence.

SOURCES AND AUTHORITY

♦ Cal. Civ. Code § 3426.1(b)(2)(A); *Ajaxo Inc. v. E*Trade Group, Inc.* (2005) 135 Cal. App. 4th 21, 67; 3 Cal. Forms of Jury Instr. § 40.98[1] (2002) (modified); Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at ____.

13
Misappropriation – Definition – Use (2)

Use of a trade secret is improper if the person using the trade secret acquired knowledge of the trade secret from another, and knows or has reason to know that the other previously acquired the trade secret by improper means.

DIRECTIONS FOR USE

♦ To avoid confusion, the jury should be instructed only on the particular theory of misappropriation applicable under the facts of each case. For example, the jury should not be instructed on misappropriation through “use” if the plaintiff does not assert that the defendant improperly used the trade secrets, or on a particular type of “use” if that type of “use” is not asserted and/or supported by the evidence.

SOURCES AND AUTHORITY

♦ Cal. Civ. Code § 3426.1(b)(2)(B)(i); *Ajaxo Inc. v. E*Trade Group, Inc.* (2005) 135 Cal. App. 4th 21, 67; 3 Cal. Forms of Jury Instr. § 40.98[1] (2002) (modified); Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at ____.

14

Misappropriation – Definition – Use (3)

Use of a trade secret is improper if the person using the trade secret knows or has reason to know that [he/she/it] acquired knowledge of the trade secret under circumstances creating a legal obligation [to keep the information secret] [to limit its use], and uses the trade secret in violation of that obligation.

DIRECTIONS FOR USE

♦ To avoid confusion, the jury should be instructed only on the particular theory of misappropriation applicable under the facts of each case. For example, the jury should not be instructed on misappropriation through “use” if the plaintiff does not assert that the defendant improperly used the trade secrets, or on a particular type of “use” if that type of “use” is not asserted and/or supported by the evidence.

SOURCES AND AUTHORITY

♦ Cal. Civ. Code § 3426.1(b)(2)(B)(ii); *Ajaxo Inc. v. E*Trade Group, Inc.* (2005) 135 Cal. App. 4th 21, 67; 3 Cal. Forms of Jury Instr. § 40.98[1] (2002) (modified); Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at ____.

15

Misappropriation – Definition – Use (4)

Use of a trade secret is improper if the person using the trade secret acquired knowledge of the trade secret from another, and knows or has reason to know that the other violated a legal obligation [to keep the information secret] [to limit its use].

DIRECTIONS FOR USE

♦ To avoid confusion, the jury should be instructed only on the particular theory of misappropriation applicable under the facts of each case. For example, the jury should not be instructed on misappropriation through “use” if the plaintiff does not assert that the defendant improperly used the trade secrets, or on a particular type of “use” if that type of “use” is not asserted and/or supported by the evidence.

SOURCES AND AUTHORITY

♦ Cal. Civ. Code § 3426.1(b)(2)(B)(iii); *Ajaxo Inc. v. E*Trade Group, Inc.* (2005) 135 Cal. App. 4th 21, 67; 3 Cal. Forms of Jury Instr. § 40.98[1] (2002) (modified); Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at ____.

16

Misappropriation – Definition – Use (5)

Use of a trade secret is improper if the person using the trade secret acquired knowledge of the trade secret by accident or mistake, and uses the trade secret after learning that it is a trade secret but before [he/she/it] has materially changed [he/she/it] position.

DIRECTIONS FOR USE

♦ To avoid confusion, the jury should be instructed only on the particular theory of misappropriation applicable under the facts of each case. For example, the jury should not be instructed on misappropriation through “use” if the plaintiff does not assert that the defendant improperly used the trade secrets, or on a particular type of “use” if that type of “use” is not asserted and/or supported by the evidence.

SOURCES AND AUTHORITY

♦ Cal. Civ. Code § 3426.1(b)(2)(C); *Ajaxo Inc. v. E*Trade Group, Inc.* (2005) 135 Cal. App. 4th 21, 67; 3 Cal. Forms of Jury Instr. § 40.98[1] (2002) (modified); Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at ____.

17

Misappropriation – Acquisition/Disclosure/Use With Consent Permitted

[Acquisition] [disclosure] [use] of a trade secret is not improper if the owner of the information consented to the [acquisition] [disclosure] [use].

DIRECTIONS FOR USE

- ♦ To avoid confusion, the jury should be instructed only on the particular theory of misappropriation applicable under the facts of each case. For example, the jury should not be instructed on misappropriation through “use” if the plaintiff does not assert that the defendant improperly used the trade secrets, or on a particular type of “use” if that type of “use” is not asserted and/or supported by the evidence.

SOURCES AND AUTHORITY

- ♦ Cal. Civ. Code § 3426.1(b)(2); Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at ____.

18

Improper and Proper Means of Acquiring the Trade Secret or Knowledge of the Trade Secret

“Improper means” of acquiring the trade secret or knowledge of the trade secret include, but are not limited to, theft, bribery, lies, breach of a duty to maintain secrecy, or inducing someone else to breach a duty to maintain secrecy, or spying.

“Proper means” of acquiring the trade secret or knowledge of the trade secret include, but are not limited to:

- 1. Independent efforts to invent or discover the information;**
 - 2. Reverse engineering; that is, beginning with a product a person lawfully possesses, and examining it or testing it to determine how it works;**
 - 3. Obtaining the information under a license from the owner of the information;**
 - 4. Observing the information in public use or on public display; or**
 - 5. Obtaining the information from published literature, such as trade journals, reference books, published materials, the Internet, or other publicly-available sources.**
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SOURCES AND AUTHORITY

♦ Cal. Civ. Code § 3426.1(a).

♦ Cal. Civ. Code § 3426.1, Legis. Comm. Comment (Senate), 1984 Addition (“The Restatement of Torts, Section 757, Comment (f), notes: ‘A complete catalogue of improper means is not possible,’ but Section 1(1) includes a partial listing. Proper means include: 1. Discovery by independent invention; 2. Discovery by “reverse engineering,” that is, by starting with the known product and working backward to find the method by which it was developed. The acquisition of the known product must of course, also be by a fair and honest means, such as purchase of the item on the open market for reverse engineering to be lawful; 3. Discovery under a license from the owner of the trade secret; 4. Observation of the item in public use or on public display; 5. Obtaining the trade secret from published literature. . . . [T]he assertion that a matter is readily ascertainable by proper means remains available as a defense to a claim of misappropriation. Information is readily ascertainable if it is available in trade journals, reference books, or published materials.”); Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at ____.

♦ *DVD Copy Control Ass'n, Inc. v. Bunner* (2003) 31 Cal. 4th 864, 899 (Moreno, J., concurring) (quoting legislative history); *Syngenta Crop Protection, Inc. v. Helliker*

(2006) 138 Cal. App. 4th 1135, 1172 (“The focus of the first part of the statutory definition is on whether the information is generally known to or readily ascertainable by business competitors or others to whom the information would have some economic value. Information that is readily ascertainable by a business competitor derives no independent value from not being generally known.”) (citations omitted); *Abba Rubber Co. v. Seaquist* (1991) 235 Cal. App. 3d 1, 21-22 n.9 (quoting legislative history); *Courtesy Temporary Serv., Inc. v. Camacho* (1990) 222 Cal. App. 3d 1278, 1288 (trade secret must not be readily ascertainable to competitors); *American Paper & Packaging Prods., Inc. v. Kirgan* (1986) 183 Cal. App. 3d 1318, 1326 (list of potential clients that is readily ascertainable from public sources such as directories does not qualify as a trade secret); Rebecca Edelson & Randall E. Kay, eds., *Trade Secret Litigation and Protection in California* (State Bar of California 2005), at ____.

- ◆ 3 Cal. Forms of Jury Instr. § 40.98[1] (2002) (modified).

19
Knowledge of The Trade Secret

To prove that *[name of defendant]* improperly *[used]* *[disclosed]* a trade secret, *[name of plaintiff]* must prove that *[name of defendant]* had “knowledge of the trade secret.”

The “knowledge” required must be knowledge of the specific information claimed to be a trade secret, not merely knowledge that a trade secret is claimed to exist.

SOURCES AND AUTHORITY

- ♦ Cal. Civ. Code § 3426.1(b)(2)(A) (to prove improper use or disclosure, “knowledge of the trade secret” required); (b)(2)(B) (“knowledge of the trade secret” separate element from “knew or had reason to know”); (b)(2)(C) (“knowledge of it [the trade secret]” separate element from “knew or had reason to know”); 3 Cal. Forms of Jury Instr. § 40.98[1] (2002) (modified).

- ♦ *Droeger v. Welsh Sporting Goods Corp.* (9th Cir. 1976) 541 F.2d 790, 792-793 (improper to instruct jury to impute agent’s knowledge of a secret to the principal, as instruction “would permit recovery even when the trade secret was not actually communicated to or used by the principal”); *Bowser, Inc. v. Filters, Inc.* (9th Cir. 1968) 398 F.2d 7, 10 (no liability where plaintiff failed to produce evidence that defendant had knowledge of the substance of any trade secret); *Architectural Models, Inc. v. Neklason* (N.D. Cal. 1967) 264 F. Supp. 312, 317 (trade secret claim failed because “no evidence was presented which would establish” that defendant was exposed to trade secret), *aff’d*, 397 F.2d 405 (9th Cir. 1968); *Biocore, Inc. v. Khosrowshahi* (D. Kan. 2000) 96 F. Supp. 2d 1221, 1227 (where plaintiff claimed as its trade secret a manufacturing process including a particular “Chemical Z,” finding no liability where the defendant “did not know the composition of Chemical Z”); *Architectural Models, Inc. v. Neklason* (N.D. Cal. 1967) 264 F. Supp. 312, 320 (finding that defendant lacked knowledge of the trade secret where he did not see concrete embodiments of alleged trade secret).

- ♦ Milgrim on Trade Secrets, §7.02[2][b] n.15 (suggesting that mere knowledge a trade secret exists is not the gravamen of a trade secret claim: “[t]hat the formula for Coca-Cola is a trade secret is notorious; the formula itself, however, may remain secret.”).

20

**Affirmative Defense – No Misappropriation if Information Readily
Ascertainable**

[Name of defendant] is not liable for misappropriation of information that was “readily ascertainable” by proper means at the time of the alleged improper [acquisition] [use] [disclosure]. Information may be readily ascertainable if it is available in published literature, such as trade journals, reference books, published materials, the Internet, or other publicly-available sources. If you decide that [name of defendant] has proved that the alleged trade secret information is readily ascertainable, then [name of defendant] is not liable for misappropriation of that information.

SOURCES AND AUTHORITY

- ♦ Cal. Civ. Code § 3426.1, Legis. Comm. Comment (Senate), 1984 Addition (“[T]he assertion that a matter is readily ascertainable by proper means remains available as a defense to a claim of misappropriation. Information is readily ascertainable if it is available in trade journals, reference books, or published materials.”)
- ♦ *DVD Copy Control Ass'n, Inc. v. Bunner* (2003) 31 Cal. 4th 864, 899 (Moreno, J., concurring) (quoting legislative history); *Syngenta Crop Protection, Inc. v. Helliker* (2006) 138 Cal. App. 4th 1135, 1172 (“The focus of the first part of the statutory definition is on whether the information is generally known to or readily ascertainable by business competitors or others to whom the information would have some economic value. Information that is readily ascertainable by a business competitor derives no independent value from not being generally known.”) (citations omitted); *Abba Rubber Co. v. Seaquist* (1991) 235 Cal. App. 3d 1, 21-22 n.9 (quoting legislative history); *Courtesy Temporary Serv., Inc. v. Camacho* (1990) 222 Cal. App. 3d 1278, 1288 (trade secret must not be readily ascertainable to competitors); *American Paper & Packaging Prods., Inc. v. Kirgan* (1986) 183 Cal. App. 3d 1318, 1326 (list of potential clients that is readily ascertainable from public sources such as directories does not qualify as a trade secret); *Morlife, Inc. v. Perry*, 56 Cal.App.4th 1514, 1521-22 (1997) (“courts are reluctant to protect customer lists to the extent they embody information which is ‘readily ascertainable’ through public sources, such as business directories.”).